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**DEPARTMENT OF LABOR**

**Bureau of Labor Statistics**

**Notice of Action**

**AGENCY:** Bureau of Labor Statistics

**ACTION:** Notice of Action

**SUMMARY:** Effective with the release of PPI data for January 2014 in February 2014, BLS will transition from the Stage of Processing (SOP) aggregation system to the Final Demand-Intermediate Demand (FD-ID) aggregation system. This shift will result in significant changes to the PPI news release, as well as other documents available from PPI, including the PPI Detailed Report and PPI Handbook of Methods.

**DATES:** The transition to the FD-ID system will occur with the release of January 2014 data, scheduled for release Wednesday, February 19, 2014.

**FOR FURTHER INFORMATION CONTACT:** Jonathan Weinhagen, Producer Price Index, Bureau of Labor Statistics, telephone number 202-691-7709 (this is not a toll-free number), or by email to: [weinhagen.jonathan@bls.gov](mailto:weinhagen.jonathan@bls.gov).

**SUPPLEMENTARY INFORMATION:**

To expand the scope of coverage for the Producer Price Index (PPI), the Bureau of Labor Statistics (BLS) has developed an aggregation system that includes price changes for domestic goods, services, and construction sold to final demand and intermediate demand.

The transition to the FD-ID system is the culmination of a long-standing PPI objective to improve the SOP aggregation system by incorporating PPIs for services, construction, government purchases, and exports. In comparison to the SOP system, the FD-ID system more than doubles current PPI coverage of the United States economy in its primary aggregate indexes to over 75 percent of in-scope domestic production. The FD-ID system was introduced as a set of experimental indexes in January 2011. Nearly all new FD-ID goods, services, and construction indexes provide historical data back to either November 2009 or April 2010, while the indexes for goods that correspond with the historical SOP indexes go back to the 1970s or earlier.

To assist with the transition to the FD-ID system, PPI has been providing a version of the PPI news release based on the FD-ID model, starting with the publication of July 2013 data in August

2013. This document will be labeled "Experimental" through the December release in January 2014 and is being posted to the PPI Experimental FD-ID Aggregation System webpage (<http://www.bls.gov/ppi/experimentalaggregation.htm>) about two weeks after each month's regular PPI release. That webpage also contains detailed methodological information for the FD-ID aggregation system.

With the publication of January 2014 data in February 2014, the FD-ID version of the PPI news release will become the official news release document of record.

A Federal Register Notice requesting comments pertaining to the FD-ID aggregation system was posted in the Federal Register Tuesday, May 17, 2011. Federal Register Volume 76, Number 95 (Tuesday, May 17, 2011), [Notices], [Pages 28467-28469], [FR Doc No: 2011-12042.]

The FD-ID system will highlight the index for final demand, which measures price changes for goods, services, and construction sold to final demand: personal consumption, capital investment, government purchases, and exports. The composition of products in the final demand price index differs from that of the finished goods index in two major respects. First, it

includes government purchases and exports. Second, it includes services and construction, which are not reflected in finished goods.

The FD-ID system also includes two separate parallel treatments of intermediate demand: price changes for goods, services, and construction sold to business as inputs to production, excluding capital investment. The first treatment, intermediate demand by commodity type, measures price changes based on similarity of product and includes aggregate indexes for processed goods for intermediate demand, unprocessed goods for intermediate demand, and services for intermediate demand.

The second treatment, intermediate demand by production flow, is a stage-based system of price indexes, where price changes for goods, services, and construction can be studied as they move through the production chain of the economy to final demand. This treatment includes four stages of intermediate demand, which were established to maximize forward flow of production through the economy, while minimizing backflow of production.

These FD-ID indexes are constructed using PPI commodity indexes for goods, services, and construction, where products are assigned to various categories according to buyer type and

commodity type. A product purchased by different classes of buyers is assigned to multiple FD-ID aggregates, with unique weights allocated to each aggregate based on the product's sales value to each buyer type.

Signed at Washington, DC, this 9th day of December 2013.

**Kimberley Hill**

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Statistics.*

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